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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 3595

03/12/2018 Authored by Wills, Loon, Marquart and Theis
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education finance; authorizing school districts to use long-term facilities
1.3 maintenance revenue programs for physical modifications enhancing school facility
1.4 safety; appropriating money; amending Minnesota Statutes 2016, section 123B.595,
1.5 as amended; Laws 2017, First Special Session chapter 5, article 5, section 14,
1.6 subdivision 3.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2016, section 123B.595, as amended by Laws 2017, First
1.9 Special Session chapter 5, article 5, sections 3 and 4, is amended to read:

1.10 123B.595 LONG-TERM FACILITIES MAINTENANCE REVENUE.

1.11 Subdivision 1. Long-term facilities maintenance revenue. (a) For fiscal year 2017
1.12 only, long-term facilities maintenance revenue equals the greater of (1) the sum of (i) \$193
1.13 times the district's adjusted pupil units times the lesser of one or the ratio of the district's
1.14 average building age to 35 years, plus the cost approved by the commissioner for indoor
1.15 air quality, fire alarm and suppression, and asbestos abatement projects under section
1.16 123B.57, subdivision 6, with an estimated cost of \$100,000 or more per site, plus (ii) for a
1.17 school district with an approved voluntary prekindergarten program under section 124D.151,
1.18 the cost approved by the commissioner for remodeling existing instructional space to
1.19 accommodate prekindergarten instruction, or (2) the sum of (i) the amount the district would
1.20 have qualified for under Minnesota Statutes 2014, section 123B.57, Minnesota Statutes
1.21 2014, section 123B.59, and Minnesota Statutes 2014, section 123B.591, and (ii) for a school
1.22 district with an approved voluntary prekindergarten program under section 124D.151, the
1.23 cost approved by the commissioner for remodeling existing instructional space to
1.24 accommodate prekindergarten instruction.

2.1 ~~(b)~~ (a) For fiscal year 2018 only, long-term facilities maintenance revenue equals the
 2.2 greater of (1) the sum of (i) \$292 times the district's adjusted pupil units times the lesser of
 2.3 one or the ratio of the district's average building age to 35 years, plus (ii) the cost approved
 2.4 by the commissioner for indoor air quality, fire alarm and suppression, and asbestos
 2.5 abatement projects under section 123B.57, subdivision 6, with an estimated cost of \$100,000
 2.6 or more per site, plus (iii) for a school district with an approved voluntary prekindergarten
 2.7 program under section 124D.151, the cost approved by the commissioner for remodeling
 2.8 existing instructional space to accommodate prekindergarten instruction, or (2) the sum of
 2.9 (i) the amount the district would have qualified for under Minnesota Statutes 2014, section
 2.10 123B.57, Minnesota Statutes 2014, section 123B.59, and Minnesota Statutes 2014, section
 2.11 123B.591, and (ii) for a school district with an approved voluntary prekindergarten program
 2.12 under section 124D.151, the cost approved by the commissioner for remodeling existing
 2.13 instructional space to accommodate prekindergarten instruction.

2.14 ~~(e)~~ (b) For fiscal year 2019 and later, long-term facilities maintenance revenue equals
 2.15 the greater of (1) the sum of (i) \$380 times the district's adjusted pupil units times the lesser
 2.16 of one or the ratio of the district's average building age to 35 years, plus (ii) the cost approved
 2.17 by the commissioner for indoor air quality, fire alarm and suppression, and asbestos
 2.18 abatement projects under section 123B.57, subdivision 6, with an estimated cost of \$100,000
 2.19 or more per site, plus (iii) for a school district with an approved voluntary prekindergarten
 2.20 program under section 124D.151, the cost approved by the commissioner for remodeling
 2.21 existing instructional space to accommodate prekindergarten instruction, or (2) the sum of
 2.22 (i) the amount the district would have qualified for under Minnesota Statutes 2014, section
 2.23 123B.57, Minnesota Statutes 2014, section 123B.59, and Minnesota Statutes 2014, section
 2.24 123B.591, and (ii) for a school district with an approved voluntary prekindergarten program
 2.25 under section 124D.151, the cost approved by the commissioner for remodeling existing
 2.26 instructional space to accommodate prekindergarten instruction.

2.27 ~~(d)~~ (c) Notwithstanding paragraphs ~~(a), and (b), and (e)~~, a school district that qualified
 2.28 for eligibility under Minnesota Statutes 2014, section 123B.59, subdivision 1, paragraph
 2.29 (a), for fiscal year 2010 remains eligible for funding under this section as a district that
 2.30 would have qualified for eligibility under Minnesota Statutes 2014, section 123B.59,
 2.31 subdivision 1, paragraph (a), for fiscal year 2017 and later.

2.32 **Subd. 2. Long-term facilities maintenance revenue for a charter school.** ~~(a) For fiscal~~
 2.33 ~~year 2017 only, long-term facilities maintenance revenue for a charter school equals \$34~~
 2.34 ~~times the adjusted pupil units.~~

3.1 ~~(b)~~ (a) For fiscal year 2018 only, long-term facilities maintenance revenue for a charter
3.2 school equals \$85 times the adjusted pupil units.

3.3 ~~(e)~~ (b) For fiscal year 2019 and later, long-term facilities maintenance revenue for a
3.4 charter school equals \$132 times the adjusted pupil units.

3.5 Subd. 3. **Intermediate districts and other cooperative units.** Upon approval through
3.6 the adoption of a resolution by each member district school board of an intermediate district
3.7 or other cooperative units under section 123A.24, subdivision 2, and the approval of the
3.8 commissioner of education, a school district may include in its authority under this section
3.9 a proportionate share of the long-term maintenance costs of the intermediate district or
3.10 cooperative unit. The cooperative unit may issue bonds to finance the project costs or levy
3.11 for the costs, using long-term maintenance revenue transferred from member districts to
3.12 make debt service payments or pay project costs. Authority under this subdivision is in
3.13 addition to the authority for individual district projects under subdivision 1.

3.14 Subd. 4. **Facilities plans.** (a) To qualify for revenue under this section, a school district
3.15 or intermediate district, not including a charter school, must have a ten-year facility plan
3.16 adopted by the school board and approved by the commissioner. The plan must include
3.17 provisions for implementing a health and safety program that complies with health, safety,
3.18 and environmental regulations and best practices, including indoor air quality management
3.19 and remediation of lead hazards. The plan may include provisions for enhancing school
3.20 safety through physical modifications to school facilities as described in subdivision 4a.

3.21 (b) The district must annually update the plan, submit the plan to the commissioner for
3.22 approval by July 31, and indicate whether the district will issue bonds to finance the plan
3.23 or levy for the costs.

3.24 (c) For school districts issuing bonds to finance the plan, the plan must include a debt
3.25 service schedule demonstrating that the debt service revenue required to pay the principal
3.26 and interest on the bonds each year will not exceed the projected long-term facilities revenue
3.27 for that year.

3.28 Subd. 4a. **School safety facility enhancements.** A school district may include in its
3.29 facilities plan a school safety facilities plan. School safety projects may include remodeling
3.30 and new construction for school security enhancements, public announcement systems,
3.31 emergency communications devices, and equipment and facility modifications related to
3.32 violence prevention and facility security.

3.33 Subd. 5. **Bond authorization.** (a) A school district may issue general obligation bonds
3.34 under this section to finance facilities plans approved by its board and the commissioner.

4.1 Chapter 475, except sections 475.58 and 475.59, must be complied with. The authority to
 4.2 issue bonds under this section is in addition to any bonding authority authorized by this
 4.3 chapter or other law. The amount of bonding authority authorized under this section must
 4.4 be disregarded in calculating the bonding or net debt limits of this chapter, or any other law
 4.5 other than section 475.53, subdivision 4.

4.6 (b) At least 20 days before the earliest of solicitation of bids, the issuance of bonds, or
 4.7 the final certification of levies under subdivision 6, the district must publish notice of the
 4.8 intended projects, the amount of the bond issue, and the total amount of district indebtedness.

4.9 (c) The portion of revenue under this section for bonded debt must be recognized in the
 4.10 debt service fund.

4.11 Subd. 6. **Levy authorization.** A district may levy for costs related to an approved plan
 4.12 under subdivision 4 as follows:

4.13 (1) if the district has indicated to the commissioner that bonds will be issued, the district
 4.14 may levy for the principal and interest payments on outstanding bonds issued under
 4.15 subdivision 5 after reduction for any aid receivable under subdivision 9;

4.16 (2) if the district has indicated to the commissioner that the plan will be funded through
 4.17 levy, the district may levy according to the schedule approved in the plan after reduction
 4.18 for any aid receivable under subdivision 9; or

4.19 (3) if the debt service revenue for a district required to pay the principal and interest on
 4.20 bonds issued under subdivision 5 exceeds the district's long-term facilities maintenance
 4.21 revenue for the same fiscal year, the district's general fund levy must be reduced by the
 4.22 amount of the excess.

4.23 Subd. 7. **Long-term facilities maintenance equalization revenue.** ~~(a) For fiscal year~~
 4.24 ~~2017 only, a district's long-term facilities maintenance equalization revenue equals the lesser~~
 4.25 ~~of (1) \$193 times the adjusted pupil units or (2) the district's revenue under subdivision 1.~~

4.26 ~~(b)~~ (a) For fiscal year 2018 only, a district's long-term facilities maintenance equalization
 4.27 revenue equals the lesser of (1) \$292 times the adjusted pupil units or (2) the district's
 4.28 revenue under subdivision 1.

4.29 ~~(c)~~ (b) For fiscal year 2019 and later, a district's long-term facilities maintenance
 4.30 equalization revenue equals the lesser of (1) \$380 times the adjusted pupil units or (2) the
 4.31 district's revenue under subdivision 1.

4.32 ~~(d)~~ (c) Notwithstanding paragraphs (a) ~~to (c)~~ and (b), a district's long-term facilities
 4.33 maintenance equalization revenue must not be less than the lesser of the district's long-term

5.1 facilities maintenance revenue or the amount of aid the district received for fiscal year 2015
5.2 under Minnesota Statutes 2014, section 123B.59, subdivision 6.

5.3 Subd. 8. **Long-term facilities maintenance equalized levy.** ~~(a) For fiscal year 2017~~
5.4 ~~and later,~~ A district's long-term facilities maintenance equalized levy equals the district's
5.5 long-term facilities maintenance equalization revenue minus the greater of:

5.6 (1) the lesser of the district's long-term facilities maintenance equalization revenue or
5.7 the amount of aid the district received for fiscal year 2015 under Minnesota Statutes 2014,
5.8 section 123B.59, subdivision 6; or

5.9 (2) the district's long-term facilities maintenance equalization revenue times the greater
5.10 of (i) zero or (ii) one minus the ratio of its adjusted net tax capacity per adjusted pupil unit
5.11 in the year preceding the year the levy is certified to 123 percent of the state average adjusted
5.12 net tax capacity per adjusted pupil unit for all school districts in the year preceding the year
5.13 the levy is certified.

5.14 (b) For purposes of this subdivision, "adjusted net tax capacity" means the value described
5.15 in section 126C.01, subdivision 2, paragraph (b).

5.16 Subd. 8a. **Long-term facilities maintenance unequalized levy.** ~~For fiscal year 2017~~
5.17 ~~and later,~~ A district's long-term facilities maintenance unequalized levy equals the difference
5.18 between the district's revenue under subdivision 1 and the district's equalization revenue
5.19 under subdivision 7.

5.20 Subd. 9. **Long-term facilities maintenance equalized aid.** ~~For fiscal year 2017 and~~
5.21 ~~later,~~ A district's long-term facilities maintenance equalized aid equals its long-term facilities
5.22 maintenance equalization revenue minus its long-term facilities maintenance equalized levy
5.23 times the ratio of the actual equalized amount levied to the permitted equalized levy.

5.24 Subd. 10. **Allowed uses for long-term facilities maintenance revenue.** (a) A district
5.25 may use revenue under this section for any of the following:

5.26 (1) deferred capital expenditures and maintenance projects necessary to prevent further
5.27 erosion of facilities;

5.28 (2) increasing accessibility of school facilities;

5.29 (3) health and safety capital projects under section 123B.57;

5.30 (4) school safety facility enhancements authorized under subdivision 4a; or

6.1 ~~(4)~~ (5) by board resolution, to transfer money from the general fund reserve for long-term
 6.2 facilities maintenance to the debt redemption fund to pay the amounts needed to meet, when
 6.3 due, principal and interest on general obligation bonds issued under subdivision 5.

6.4 (b) A charter school may use revenue under this section for any purpose related to the
 6.5 school, including school safety facility enhancements.

6.6 Subd. 11. **Restrictions on long-term facilities maintenance revenue.** Notwithstanding
 6.7 subdivision 10, for projects other than school safety facility enhancements, long-term
 6.8 facilities maintenance revenue may not be used:

6.9 (1) for the construction of new facilities, remodeling of existing facilities, or the purchase
 6.10 of portable classrooms;

6.11 (2) to finance a lease purchase agreement, installment purchase agreement, or other
 6.12 deferred payments agreement;

6.13 (3) for energy-efficiency projects under section 123B.65, for a building or property or
 6.14 part of a building or property used for postsecondary instruction or administration, or for a
 6.15 purpose unrelated to elementary and secondary education; or

6.16 (4) for ~~violence prevention and facility security, ergonomics, or emergency~~
 6.17 ~~communication devices.~~

6.18 Subd. 12. **Reserve account.** The portion of long-term facilities maintenance revenue
 6.19 not recognized under subdivision 5, paragraph (c), must be maintained in a reserve account
 6.20 within the general fund.

6.21 Sec. 2. Laws 2017, First Special Session chapter 5, article 5, section 14, subdivision 3, is
 6.22 amended to read:

6.23 Subd. 3. **Long-term facilities maintenance equalized aid.** For long-term facilities
 6.24 maintenance equalized aid under Minnesota Statutes, section 123B.595, subdivision 9:

6.25	\$	80,179,000	2018
6.26		103,460,000		
6.27	\$	2019

6.28 The 2018 appropriation includes \$5,815,000 for 2017 and \$74,364,000 for 2018.

6.29 The 2019 appropriation includes \$8,262,000 for 2018 and ~~\$95,198,000~~ \$..... for 2019.